

ORIGINAL

THIS AMENDMENT:

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2009 DEC -4 P 3:08

AZ CORP COMMISSION
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PIERCE PROPOSED AMENDMENT # 2

DATE PREPARED: December 4, 2009

Arizona Corporation Commission

DOCKETED

DEC - 4 2009

COMPANY:

Arizona Public Service Company

DOCKET NOS:

E-01345A-08-0172

DOCKETED BY

[Signature]

OPEN MEETING DATES: December 7-9, 2009

AGENDA ITEM: U-2

Page 40, Line 28

INSERT the following after "as requested by Ms. Pecora.":

"While we do not feel that it is necessary to reinstate the former line extension policy, we do believe that it is unfair to charge new customers the cost of historical line extensions. During the course of the hearing in this matter, APS was asked to provide to the Commission the total amount of its rate base that is attributable to line extensions over the past thirty years.^{fn1} Unfortunately, APS was only able to go back seventeen years (to 1990) and isolate the portion of its Original Cost Rate Base attributable to its 1000-free-foot line extension policy. According to Mr. Rumolo, APS' Original Cost Rate Base (OCRB) would have been reduced from \$5.582 billion to \$4.873 billion, or slightly more than \$700 million, had the no-free-line-extension policy been in place since 1990.^{fn2} To be true to the principles of cost-causation that convinced the Commission to change APS' line extension policy in Decision No. 69663, the Commission would need to excuse new customers from paying rates on the more than \$700 million in rate base that is attributable to free line extensions over the past thirty years. Therefore, we will require APS to file, for Commission approval, (a) new rate plan(s) that will hold residential customers requiring new line extensions harmless from the more than \$700 million OCRB attributable to historical line extensions."

Page 40, Line 28

DELETE "However" and begin new paragraph with "We believe that the issue . . ."

^{fn1} Because line extensions are fully depreciated over thirty years, line extensions older than thirty years would no longer be reflected in APS' rate base.

^{fn2} Tr at 2110-11.

Page 53, Line 27

INSERT after "approved":

"except that APS must file, for Commission approval, (a) new rate plan(s) that will hold new residential customers requiring a line extension after the effective date of this Decision harmless from the more than \$700 million in OCRB attributable to historical line extensions."

Page 55, Line 5

INSERT ordering paragraph:

"IT IS FURTHER ORDERED that APS will file, for Commission approval, (a) new rate plan(s) that will hold new residential customers requiring a line extension after the effective date of this Decision harmless from the more than \$700 million in OCRB attributable to historical line extensions."

Conforming changes.